



Iowa Medicaid Enterprise Program Integrity Unit Extrapolation and Statistical Sampling FAQ

Q: Why do you use statistical sampling?

A: We use statistical sampling because it is an efficient and effective manner to audit a provider's claim population. Through the statistical sampling process we use, we have 95 percent confidence that our audit samples are representative of the provider's entire claim population.

Q: Where do you get the authority to use statistical sampling?

A: Authority comes from Iowa Administrative Code 441—79.4(3)e, which states:

e. Use of statistical sampling techniques. The department's procedures for auditing or reviewing Medicaid providers may include the use of random sampling and extrapolation.

(1) A statistically valid random sample will be selected from the universe of records to be audited or reviewed. The sample size shall be selected using accepted sample size estimation methods. The confidence level of the sample size calculation shall not be less than 95 percent.

(2) Following the sample audit or review, the statistical margin of error of the sample will be computed, and a confidence interval will be determined. The estimated error rate will be extrapolated to the universe from which the sample was drawn within the computed margin of error of the sampling process.

(3) Commonly accepted statistical analysis programs may be used to estimate the sample size and calculate the confidence interval, consistent with the sampling parameters.

(4) The audit or review findings generated through statistical sampling procedures shall constitute prima facie evidence in all department proceedings regarding the number and amount of overpayments or underpayments received by the provider.

The full text of the administrative rule can be viewed at:

<https://www.legis.iowa.gov/docs/iac/rule/441.79.4.pdf>

Q: How do you pick the sample?

A: We analyze the provider's claim population and input data about the provider's population into a formula which calculates our required sample size. We use statistical analysis software to select a statistically valid random sample from the claims. This method of sampling ensures that bias is eliminated from the sampling process and provides us with 95 percent confidence that the sample is representative of the provider's entire claim population.

Q: What is stratified random sampling and why do you use it?

A: Stratified random sampling is a process of grouping like items into different claim sub-populations. A random sample is taken from each sub-population. Sometimes, we stratify our population on the basis of the type of procedure code. Other times, we'll stratify by the amount paid on claims. Not every sample will be stratified; when appropriate, we use

stratified sampling to increase the precision of our audit findings and overpayment calculations.

Q: How do you extrapolate our overpayment?

A: After claims have been reviewed, the average overpayment per claim will be computed. The lower and upper bounds of a 95 percent confidence interval around the average overpayment will also be computed. This range is then scaled up by the population size to come up with the "upper limit" and the "lower limit" amount for the entire claim universe. This gives us 95 percent confidence that the provider's true overpayment is somewhere between the lower limit and the upper limit. The IME will typically assess the overpayment at the lower limit, because this is a conservative method that works to the financial advantage of the provider. If the lower limit for the total overpayment extends below zero dollars the IME will not extrapolate the overpayments to the population. Instead, the provider will be responsible for only the overpayments identified in the sample that was reviewed.

Q: Can I appeal the results of the review?

A: Yes. You will have the opportunity to ask for a re-evaluation prior to the final overpayment being established. Additionally, appeal rights are always given with the establishment of any overpayment. However, if you disagree with the results resulting from statistical sampling and extrapolation, there are certain requirements that must be met to show the sample was invalid. These requirements are outlined in Iowa Administrative Code 441—79.4(5)c. which states:

c. Disagreement with sampling results. When the department's audit or review findings have been generated through sampling and extrapolation and the provider disagrees with the findings, the burden of proof of compliance rests with the provider. The provider may present evidence to show that the sample was invalid. The evidence may include a 100 percent audit or review of the universe of provider records used by the department in the drawing of the department's sample. Any such audit or review must:

- (1) Be arranged and paid for by the provider.
- (2) Be conducted by an individual or organization with expertise in coding, medical services, and Iowa Medicaid policy if the issues relate to clinical records.
- (3) Be conducted by a certified public accountant if the issues relate to fiscal records.
- (4) Demonstrate that bills and records that were not audited or reviewed in the department's sample are in compliance with program regulations.
- (5) Be submitted to the department with all supporting documentation within 60 calendar days of the mailing of the preliminary finding of a tentative overpayment to the provider.

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